

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**W. O. Moss Regional Medical Center
Health Care Services Division
Louisiana State University
Health Sciences Center
State of Louisiana
Lake Charles, Louisiana**

July 31, 2002



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**W. O. MOSS REGIONAL MEDICAL CENTER
HEALTH CARE SERVICES DIVISION
LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER
STATE OF LOUISIANA
Lake Charles, Louisiana**

**Management Letter
Dated June 25, 2002**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

July 31, 2002



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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June 25, 2002

W. O. MOSS REGIONAL MEDICAL CENTER
HEALTH CARE SERVICES DIVISION
LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER
STATE OF LOUISIANA
Lake Charles, Louisiana

As part of our audit of the Louisiana State University System's financial statements for the year ending June 30, 2002, we considered W. O. Moss Regional Medical Center's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the medical center's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the medical center's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The financial information provided to the Louisiana State University System by W. O. Moss Regional Medical Center was not audited or reviewed by us, and, accordingly, we do not express an opinion on that information. The medical center's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the medical center for the two years ended June 30, 2000, we reported a finding relating to inadequate cash controls. That finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration. All findings included in the management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2002.

LEGISLATIVE AUDITOR

**W. O. MOSS REGIONAL MEDICAL CENTER
HEALTH CARE SERVICES DIVISION
LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER
STATE OF LOUISIANA**

Management Letter, Dated June 25, 2002

Page 2

Payroll Charges to Federal Program Not Verified

W. O. Moss Regional Medical Center did not document its verification that payroll charged to the Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (CFDA 93:918) program was reasonable in relation to work performed. Office of Management and Budget (OMB) Circular A-21 requires that when charges for personal services are divided between federal grants and other cost objectives, certain verifications be documented. At least annually there must be an after-the-fact verification that the costs distributed to the federal grant represent actual costs chargeable to the program. Furthermore, a statement should be signed by the employee or a responsible official using suitable means of verification that work relating to the federal grant was performed, which states that salaries and wages charged to the federal award are reasonable in relation to work performed.

The medical center's accounting records show the following:

- In fiscal year 2001, the medical center was reimbursed \$22,813 from grant funds for various portions of salaries for four employees. These reimbursements were based on budget projections of the portion of time each employee's work would relate to the grant. However, no documentation existed to prove that the percent of payroll charged to the federal grant was appropriate, and that it was verified by the medical center. Therefore, these costs are questioned.
- On December 11, 2001, the medical center submitted an unverified request for reimbursement of \$25,857 for portions of salaries for five employees in fiscal year 2002. This request was submitted to LSU Health Sciences Center, which is responsible for fiscal administration of grant awards to the medical center. As of May 10, 2002, this request had not been processed and reimbursement had not been received by the medical center.

Management indicated that it was not familiar with the federal requirements for verifying payroll distribution. As a result, the medical center has charged expenses to the grant that may have to be paid back to the federal government.

The medical center should develop a policy specifying how and when the required after-the-fact verification and certification of payroll charges reimbursed by federal programs should be performed. Furthermore, the medical center should perform the verification and certification of the reimbursement request currently outstanding to prevent these

LEGISLATIVE AUDITOR

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Management Letter, Dated June 25, 2002

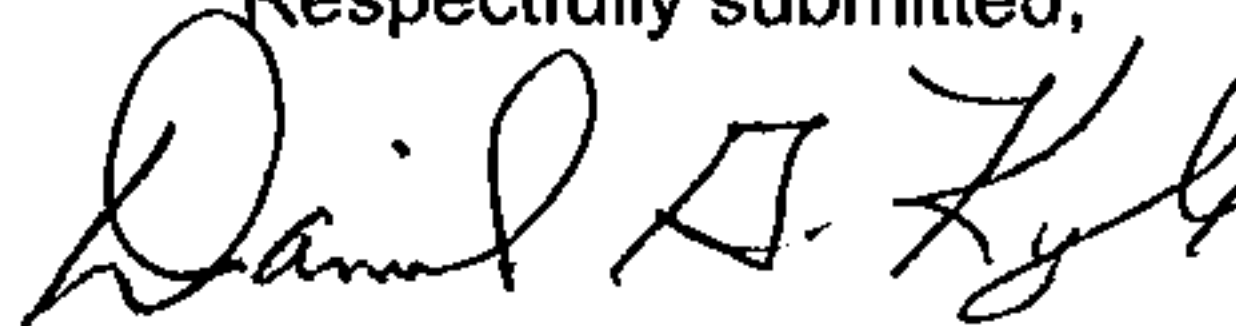
Page 3

costs from becoming questioned after one year has elapsed. The medical center should also seek further information from LSU Health Sciences Center about why it takes so long to process the requests. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the medical center. The nature of the recommendation, its implementation costs, and its potential impact on operations of the medical center should be considered in reaching decisions on courses of action. The finding relating to the medical center's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the medical center and its management and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

JDH:MWB:PEP:dl

[WOMOSS02]

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



Health Sciences Center

HEALTH CARE SERVICES DIVISION

School of Medicine in New Orleans
School of Medicine in Shreveport
School of Dentistry
School of Nursing
School of Allied Health Professions
School of Graduate Studies
Health Care Services Division

June 13, 2002

Dr. Daniel G. Kyle, CPA.CFE
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Payroll Charges to Federal Program not Verified

Dear Dr. Kyle:

W.O. Moss Regional Medical Center concurs with the finding regarding unverified payroll charges applied to the HIV Grant Federal Program.

Response/Corrective Action:

- W.O. Moss Regional Medical Center receives grant funding from Ryan White Title III: Early Intervention Services. The staffing apportionment defined in the grant was made on the basis of planned budgeted categories of work activity with FTE's expressed as a percentage distribution. Cost disbursed to the grant was from monthly actual payroll amounts obtained and applied to the FTE percentage allocation. These cost were disbursed according to grant related expenses.
- Certified statements signed by the employee, their supervisor and/or other responsible person will be maintained on file to address the cost in question and to support additional reimbursement request submitted through June 30, 2002.
- A system-wide procedure for the development and maintenance of Time and Effort Logs that reflect distribution of activity by employees has been drafted by our Central Office Human Resource Division. We will implement upon the effective date, which is targeted for July 1, 2002.
- Provide Internal evaluation for compliance
- Efforts to finalize outstanding reimbursements are being addressed both by the Agency and our Central Office Staff.

Cheryl Savoy, CFO, is responsible for the oversight of fiscal activities and Dr. Carlos Choucino, the principal investigator, is responsible for the administrative oversight.

Sincerely,


Clay Dunaway
Hospital Administrator